

*Sparta Fire Department*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Sparta Fire Department

We have audited the accompanying financial statements of the governmental activities and the major fund of Sparta Fire Department as of and for the year ended March 31, 2008, which collectively comprise the Department's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sparta Fire Department as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Sparta Fire Department has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

July 23, 2008



1958-2008

## **BASIC FINANCIAL STATEMENTS**

**Sparta Fire Department**  
**STATEMENT OF NET ASSETS**  
 March 31, 2008

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 283,779
Receivables	4,364
Prepaid expenses	<u>296</u>
Total current assets	288,439
Noncurrent assets-capital assets, net of accumulated depreciation	<u>724,852</u>
Total assets	<u>1,013,291</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	12,809
Notes payable	<u>9,165</u>
Total current liabilities	21,974
Noncurrent liabilities - notes payable	<u>1,566</u>
Total liabilities	<u>23,540</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	714,121
Restricted for capital acquisitions	152,216
Unrestricted	<u>123,414</u>
Total net assets	<u>\$ 989,751</u>

See notes to financial statements

**Sparta Fire Department**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

		<u>Program revenues</u>	<u>Net (expenses) revenues and changes in net assets</u>
		<u>Operating grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>	<u>Expenses</u>		
Governmental activities:			
Public safety	\$ 372,004	\$ 358,166	\$ (13,838)
Interest on long-term debt	<u>590</u>	<u>-</u>	<u>(590)</u>
Total governmental activities	<u>\$ 372,594</u>	<u>\$ 358,166</u>	<u>(14,428)</u>
General revenues:			
Interest income			6,863
Other			<u>5,615</u>
Total general revenues			<u>12,478</u>
Change in net assets			(1,950)
Net assets - beginning			<u>991,701</u>
Net assets - ending			<u>\$ 989,751</u>

See notes to financial statements

**Sparta Fire Department****BALANCE SHEET**March 31, 2008

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**ASSETS**

Cash	\$ 283,779
Receivables	4,364
Prepays	<u>296</u>
Total assets	<u>\$ 288,439</u>

**LIABILITIES AND FUND BALANCE**

Accounts payable	\$ 3,167
Accrued payroll	<u>9,642</u>
Total liabilities	<u>12,809</u>
Fund balance:	
Reserved	152,216
Unreserved:	
Designated	98,499
Undesignated	<u>24,915</u>
Total fund balance	<u>275,630</u>
Total liabilities and fund balance	<u>\$ 288,439</u>

Total fund balance	\$ 275,630
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the fund.

724,852

Noncurrent liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.

(10,731)

Net assets of *governmental activities* (page 4)

\$ 989,751

See notes to financial statements

**Sparta Fire Department****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE***Year ended March 31, 2008***REVENUES**

Contributions from participating units	\$ 358,166
Interest	6,863
Other	<u>5,615</u>
Total revenues	<u>370,644</u>

**EXPENDITURES**

Public safety	289,462
Debt service:	
Principal	8,854
Interest	<u>590</u>
Total expenditures	<u>298,906</u>

**NET CHANGE IN FUND BALANCE** 71,738

**FUND BALANCE - BEGINNING** 203,892

**FUND BALANCE - ENDING** \$ 275,630

Net change in fund balance \$ 71,738

Amounts reported in the statement of activities are different because:

Change in prepaid expenses	(6,120)
Capital assets - provision for depreciation	(76,422)
Long-term debt - principal repayments	<u>8,854</u>
Change in net assets (page 5)	<u><u>\$ (1,950)</u></u>

See notes to financial statements



**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Sparta Fire Department (the Department), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The Department is a joint venture of the Village of Sparta and the Township of Sparta. Costs of operations and capital expenditures are supported by contributions from the Village, which contributes one-third and the Township, which contributes two-thirds of the Department's proposed budget. In addition, a township-wide millage is made available to the Department.

The accompanying financial statements present only the Department. There are no component units or entities for which the Department is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Department.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Interest and other revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Department.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Department has elected not to follow subsequent private-sector standards.

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*c) Measurement focus, basis of accounting, and financial statement presentation: (continued)*

Amounts reported as program revenues include: (1) charges to customers for services provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - No allowance for uncollectible accounts has been recorded as the Department considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment and vehicles	5 - 20 years

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - The annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the Board is the function level. The Department had no budget variances during the current fiscal year.

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Department's investment policy authorize the Department to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Department's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Department may not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2008, \$187,697 of the Township's bank balances of \$287,697 was exposed to custodial credit risk because it was uninsured.

The Department believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Department evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables, as of year end, consist of contributions due from a local governmental unit. The receivables are due within one year and are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 227,563	\$ -	\$ -	\$ 227,563
Equipment	463,488	-	-	463,488
Vehicles	942,000	-	-	942,000
Subtotal	<u>1,633,051</u>	<u>-</u>	<u>-</u>	<u>1,633,051</u>
Less accumulated depreciation for:				
Buildings and improvements	(96,185)	(4,566)	-	(100,751)
Equipment	(201,092)	(25,856)	-	(226,948)
Vehicles	(534,500)	(46,000)	-	(580,500)
Subtotal	<u>(831,777)</u>	<u>(76,422)</u>	<u>-</u>	<u>(908,199)</u>
Total capital assets being depreciated, net	<u>\$ 801,274</u>	<u>\$ (76,422)</u>	<u>\$ -</u>	<u>\$ 724,852</u>

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - PAYABLES:**

At March 31, 2008, the Department's payables are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Operating fund	\$ <u>3,167</u>	\$ <u>9,642</u>	\$ <u>12,809</u>

**NOTE 7 - NONCURRENT LIABILITIES:**

At March 31, 2008, noncurrent liabilities are comprised of the following issue:

Installment purchase agreement note payable:

\$42,954 2004 bank note due in monthly installments of \$787, including interest at 3.79%; final payment due May 2009 \$ 10,731

Noncurrent liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2004 note payable	\$ <u>19,585</u>	\$ <u>-</u>	\$ <u>(8,854)</u>	\$ <u>10,731</u>	\$ <u>9,165</u>

At March 31, 2008, debt service requirements were as follows:

<u>Year ended March 31:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 9,165	\$ 407
2009	1,566	59
2010	-	-
Totals	\$ <u>10,731</u>	\$ <u>466</u>

**NOTE 8 - RISK MANAGEMENT:**

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for each of these claims up to \$5,000,000 and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## REQUIRED SUPPLEMENTARY INFORMATION

**Sparta Fire Department**  
**BUDGETARY COMPARISON SCHEDULE**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Local unit contributions:				
Township of Sparta	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Village of Sparta	100,000	100,000	100,000	-
Township-wide millage	-	-	58,166	58,166
Interest	-	-	6,863	6,863
Other	-	-	5,615	5,615
	<u>300,000</u>	<u>300,000</u>	<u>370,644</u>	<u>70,644</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety:				
Salaries and wages	137,800	147,800	147,596	204
Payroll taxes	10,125	10,125	11,527	(1,402)
Workers' compensation insurance	7,000	7,000	8,099	(1,099)
Employee physicals	8,200	3,700	3,494	206
Office supplies	1,750	1,750	1,456	294
Operating and medical supplies	16,500	22,000	22,749	(749)
Repairs and maintenance	12,000	17,656	18,728	(1,072)
Contracted services	17,000	18,600	12,205	6,395
Insurance	15,000	13,400	17,502	(4,102)
Education and training	13,000	9,500	9,082	418
Fuel	5,500	5,500	5,891	(391)
Dues	1,600	1,600	760	840
Telephone	3,600	3,600	3,037	563
Buildings and grounds	2,000	11,400	11,673	(273)
Utilities	13,300	13,300	12,771	529
Miscellaneous	3,625	3,625	2,892	733
	<u>268,000</u>	<u>290,556</u>	<u>289,462</u>	<u>1,094</u>
Total public safety				
Capital outlay	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service:				
Principal	<u>20,000</u>	<u>8,854</u>	<u>8,854</u>	<u>-</u>
Interest	<u>-</u>	<u>590</u>	<u>590</u>	<u>-</u>
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>298,906</u>	<u>1,094</u>

**Sparta Fire Department****BUDGETARY COMPARISON SCHEDULE (Continued)***Year ended March 31, 2008*

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 71,738	\$ 71,738
FUND BALANCE - BEGINNING	<u>203,892</u>	<u>203,892</u>	<u>203,892</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 203,892</u>	<u>\$ 203,892</u>	<u>\$ 275,630</u>	<u>\$ 71,738</u>

July 23, 2008

**Members of the Board  
Sparta Fire Department**

We have audited the financial statements of the governmental activities and the major funds of the Sparta Fire Department for the year ended March 31, 2008, and have issued our report thereon dated July 23, 2008. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Sparta Fire Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Sparta Fire Department during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Department's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.



1958-2008



*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We did not find it necessary to propose any audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Sparta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Sparta and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*